

State Employee Benefits Committee
March 14, 2011, 2:00 p.m.
Tatnall Building, Room 112
Dover, Delaware

The State Employee Benefits Committee met on March 14, 2011 at the Tatnall Building, Room 112, Dover, Delaware. The following Committee members and guests were present:

Ann Visalli, Director, OMB
Brenda Lakeman, Director, OMB, SBO
Faith Rentz, Deputy Director, OMB, SBO
Casey Oravez, OMB
Theresa Strawder, OMB, SBO
Ann Skeans, OMB, SBO
Lois Houston, OMB, SBO
Mary Thuresson, OMB, SBO
Andrew Kerber, DOJ
Russ Larson, Controller General
Tom Cook, Secretary of Finance
Chip Flowers, State Treasurer
Karen Weldin Stewart, Insurance
Commissioner
Crystal Webb, DHSS
Kim Vincent, Pension Office
Erika Benner, Treasurer's Office
Erin Guerk, Treasurer's Office
Barb Bennett, Treasurer's Office
Kelly Callahan, Treasurer's Office
Jennifer Vaughn, Department of Insurance
Cynthia Diaz, PHRST
Rebecca Steele, OMB, BDPA
Pat Griffin, SEBAC, DOJ
Frederika Jenner, DSEA, SEBAC

Drew Brancati, Blue Cross Blue Shield DE
Faith Joslyn, Blue Cross Blue Shield DE
John Edwards, Med Impact
Kim Hawkins, City of Dover
Lisa R. Carmean, City of Milford
Roger Roy
Chris Ulrich, U of D
Michael Begatto, AFSCME
Bill Jardone, CVS Caremark
Mike North, Aetna
Julie Caynor, Aetna
Joe Morocco, HMS
Karen Valentine, AFSCME
Barbara Jacobs, DSEA-R
Jim Testerman, DSEA-R
Mary Ann Pry, DESA-R
Cynthia Angermeier, DESA-R
Rich Phillips, DSEA-R
Sandy Richard, AFSCME
Sandra Evans, AFSCME
Virginia S. Dolley, AFSCME
Kim Gomes, Byrd Group
Judy Anderson, DSEA
Bob Wright, Prescription Solutions
Dave Leiter, DHSS

Agenda Items Discussed:

Introductions/Sign In

Ms. Visalli called the meeting to order at 2:00 p.m. Those who want to give public comment were asked to sign the sign in sheet. Introductions around the room followed.

Approval of Minutes

Ms. Visalli gave time to review the minutes from the February 25, 2011 SEBC meeting and then asked for a motion to approve. Controller General Larson made the motion and Secretary Cook seconded the motion. Upon unanimous voice vote the minutes were approved.

Directors Report – Brenda Lakeman

We will be submitting a reimbursement for this quarter for the Early Retiree Reinsurance Program. The application for Fiscal Year (FY) 2012 has been filed for our Medicare Part D reimbursement.

Health Fund Financials

February 2011 Fund Equity – Casey Oravez (handout)

As of the end of February the ending balance was \$27.5 million (M). In January it was just a little over \$26 M. At the last meeting there was discussion about the risk based capital percentage that Commissioner Stewart was requesting. This was added to this report and is reflected at 342 percent. It will be updated monthly.

FY2012 Prescription Benefit Management Contract Award – Faith Rentz (handout)

Financial Outcome

Ms. Visalli thanked all who participated on the Proposal Review Committee (PRC). Ms. Rentz explained there would not be a vote until after all comments had been heard. In October 2010 the Statewide Benefits Office released the Request for Proposal (RFP). Details for the entire process were given in date order. As a result of the final scoring process, Medco received the highest number of points based on individual and independent scoring of each PRC member in accordance with the criteria outlined in the RFP. Strengths of Medco included:

- Significant plan cost savings of \$5.3M for FY12
- No formulary disruption or changes to the existing utilization and coverage review programs
- Proven ability to meet the customer service and program management needs required of the State
- Continued commitment to exemplary member satisfaction through performance guarantees and fees at risk.

Questions with discussion followed. Treasurer Flowers brought to the Committee's attention there is possible litigation involving the SEC and CalPERS against Medco and that the allegations appeared to be serious. He asked if the PRC considered the allegations in their analysis and recommendation.

Ms. Visalli explained there is a provision in the RFP process that requires a bidding organization to disclose matters involving litigation. Medco's bid response would have provided that. She cautioned against making decisions related to contract award recommendations on the possible outcome of pending litigation and assured the Committee that if wrong doing by Medco or any of our vendors, was discovered and which violated of the terms of our current contract or a future contract, that the State would have the right to terminate.

Mr. Kerber confirmed there is an item in the RFP process that requires disclosure of all major litigation. He was not familiar with the particular case Treasurer Flowers talked about but was sure that Medco complied with disclosure requirements related to litigation. Mr. Kerber explained that the State's standard contracts allow for a 30 day termination in the event of a default by the other party as well as a five month termination for any reason. The reason for five months is to allow time to go through the RFP process. So, to the extent we even became uncomfortable with Medco in the future after the outcomes of any of this litigation or for any other reason, we could rebid and move forward, and give ourselves time to go through the entire RFP process and award a contract to a new vendor. Treasurer Flowers asked that in the future that it would be helpful to require through the RFP that all publicly traded vendors disclose material litigation and SEC filings. Ms. Visalli said they could look at all RFPs and incorporate some

language and work with him on it. Justice Berger asked if the PRC had seen something about litigation that had been described. It was not confirmed, but Ms. Visalli stated it would be investigated.

Coverage Management Opportunities – Faith Rentz (handout)

Ms. Rentz opened by explaining that each year, options are brought before the Committee that are not only cost savings options but also options that ensure the appropriate management of benefits and follow best practices and treatment protocols. Four cost savings opportunities were presented and explained fully, those being:

- Generic Co-Pay Waiver Campaign
 - Estimated Cost of \$100,000 for communications and member's co-pay
 - Annual Net Savings of \$440,000
- Prior Authorization for Tetracyclines; Drug Name - Solodyn
 - Estimated that 65 members would move to less costly drug therapy
 - Potential Savings \$297,400
- Quantity Duration
 - Drug Category: Antibiotic; Drug Name – Xifaxan
 - Estimated that 17 members would receive 3 day quantity duration as result of coverage review
 - Potential Savings of \$81,000
- Step Therapy
 - Drug Category: Anticonvulsant; Drug Name – Lyrica
 - Estimates 315 members would receive coverage review and authorization for less costly drug therapy
 - Potential Savings of \$220,000

Discussion with questions and answers were intermingled.

FY 2012 Group Health Planning – Brenda Lakeman (handout)

Options for FY12

Objectives for Today's Discussion

- FY12 Budget Projections
 - Contract/Program Management Savings
 - Additional Costs
 - Options to close the Balance
- FY12 Health Care Rates – Next Steps

Some of the slides were a review from the last SEBC meeting. The Group Health Fund Trend Fit to Cost Data sheet showed the trend continued to escalate up to the last four quarters where trend has been flat. The best fit model for trending forward for rates for FY12 is 7.42 percent. The FY11 Group Health Fund Projections were reviewed. There is a bottom line surplus of \$43.3M projected for the close of FY11.

FY12 Group Health Fund Projections showing additional revenue needed for FY 2012 were reviewed. Ms. Visalli stated the costs are lower than had been projected, so that's good news. There are still increased costs. The Committee must decide how to address the \$12.8M needed. Additional cost

savings, including the FY12 Prescription Contract/RFP savings and Prescription Coverage Management options were reviewed.

The additional savings could reduce the remaining balance to \$6.7M if Medco is given the prescription contract award and the four other changes are implemented. Justice Berger asked if the prescription rebate next year would be above \$9M and what the amount had been in recent years. Ms. Lakeman responded they could look back and provide follow-up.

Additional FY12 expenses were reviewed. These consist of the costs for Mental Health Parity compliance at \$585,000 and continued DelaWell program incentives estimated to be \$2.2M.

The options for Mental Health Parity were discussed:

- Reapply for the exemption to the Mental Health Parity requirement
 - Benefits would continue at the current level as no additional cost to the State
- Make necessary plan changes to be compliant as of July 1, 2011
 - Comprehensive PPO Plan
 - Change in-network outpatient mental health visit from \$25 co-pay to \$15 co-pay
 - Cost is \$340,000
 - Blue Cross Blue Shield Blue Care HMO plan
 - Change in-network outpatient mental health visit from \$20 co-pay to \$10 co-pay
 - Cost is \$245,000
 - POS plan for Port employees
 - Change in-network outpatient mental health visit from 10% coinsurance to \$5 co-pay
 - Change in-network emergency room services from 10% coinsurance to \$0
 - Net cost is \$0
- Total cost for compliance = \$585K

The DelaWELL FY12 Program Goals were discussed:

- Improve the health of our workforce
- Reduce health expenditures
- Improve the productivity of our workforce

Sustainability of the program and meeting goals is only possible if we continue to support the effort through funding of support tools, communications and incentives

DelaWELL Program Participation and Engagement through February 2010 was reviewed and the FY12 DelaWELL Strategic Plan was discussed:

- Infuse the health vision within the organization (Governor's webpage, onsite presentations, July Kick-Off, May Employee Health Management Month)
- Leadership tools to show visible participation and support of program (marketing video, provide materials and talking points, Healthy Worksites Program, competition between agencies). The most successful health programs have management buy-in.
- Create and communicate health policies and programs (health food choices for meetings, flexible schedules, healthy vending pilot, conversation mapping focus groups)
- Measure the impact and results of FY11 (specific measurable goals, integrate wellness and chronic condition data into data mining database, research use of disability, workers compensation and health connection to productivity and workforce performance)

- Recognize and promote the importance of primary care (reduce medically homeless – studies show a 33% reduction in costs and a 19% reduction in mortality for members that visit their doctor)
- Build a robust collection of services to address the needs of the entire population from keeping well well to mitigating health risks to managing chronic illnesses.
- Develop an effective tobacco cessation program
- Leverage incentives to improve participation and health status –
 - \$100 -\$200 Reward Program - employees and non-Medicare eligibles
 - \$100 for completion of Annual Wellness Assessment and Health Screening
 - \$200 for completion of Annual Wellness Assessment and Health Screening and enrollment in a Health Coaching or Condition Care Program (healthy members that do not qualify for health coaching or condition care will be given another option).

Ms. Lakeman explained the impact of the additional FY12 expenses on the amount needed to balance the FY12 health fund budget:

Remaining Shortfall/Updated Balance:	\$6.7M
Other Expenses:	
Mental Health Parity Compliance	\$0.585M
DelaWELL Program including Incentives	\$2.2M*
*Amount required assuming 12,000 members meet \$200 goal minus remaining FY11 funding	
Updated Balance Needed for FY12:	\$9.5M

Justice Berger asked if there was some way of getting a number to correlate how a participant's engagement is impacting what is being paid for their health care. Ms. Lakeman was not sure but explained that by reducing the health care trend by half of a percent, the health fund would save more than \$2.2M. Each percent reduction in trend is \$5.5M less in increased expenditures. Ms. Lakeman stated there were avoidable cost studies from the past that could possibly provide feedback to her question. Ms. Visalli cautioned the Committee on attributing recent reduced trend to compliance with wellness programs; however, if availability of the \$2.2M results in continued offering of the incentive and participants improve their health, the result is going to be reduced health care expenditures to the fund. Closer to the end of the calendar year there will be a better understanding of the participating population and their potential to improve their health.

Controller General agreed that some sort of return on investment would be very helpful to decide whether to spend another \$2.2M. He wanted clarification on the \$1.8M carried on the financials for the same program. He asked if they're talking about spending \$4M. Ms. Rentz stated the \$1.8M carried on the Fund and Equity is being drawn down each month because the fees to Alere are being paid out of that balance. Any incentive payments being paid in July this year will also be deducted from that balance. Half a million dollars is estimated to be left and will be carried over to be used with the \$2.2M, if approved by the Committee, for FY12 incentives.

Secretary Cook asked if the DelaWELL Program was available to retirees. Ms. Lakeman stated it was available to non Medicare eligible retirees. Their participation rate is extremely low. He stressed the importance of having this all coordinated so they are aware of it and participate. Ms. Visalli added that

the schools also need to be included. The incentives are good to help employees offset increased health care costs. Some school districts pay the employee contributions, so there isn't the same incentive, but their participation should still be encouraged. The DSEA Retired group is helpful in that they are including information in their newsletter.

Options to close the remaining FY12 healthcare balance were reviewed:

Balance: \$ 9.5M

Utilize One Time Revenue Sources:

FY11 Medicare Part D Subsidy	\$10.5M*
FY12 Medicare Part D Subsidy	\$10.5M*
FY10 Early Retiree Reinsurance Reimbursement	\$ 1.4M
FY11 Early Retiree Reinsurance Reimbursement	\$19.0M*
Health Fund Surplus	\$43.3M*

*Estimates

Increase Healthcare Rate Options:

FY11 Employee Rate Deferral	\$ 4.4M
1.0% Increase to Total rate (\$4.4ee/\$1.4State)	\$ 5.8M
1.5% Increase to Total rate (\$4.4ee/\$4.3 State)	\$ 8.7M

Concerning DelaWELL, Ms. Lakeman explained there are requirements in the Early Retiree Reinsurance Program (ERRP) to have management for chronic cost conditions and certain encouragements to use the money for wellness programs or reducing health care costs. She suggested they allocate funds from the ERRP specifically to fund DelaWELL. Secretary Cook said they talked last meeting about Medicare Part D Subsidy funds possibly going to OPEB and asked if that would be FY11 Part D Subsidy funds. Ms. Lakeman confirmed. Treasurer Flowers wanted to know if there was any way to project the possibility of a swing in the trend. Mr. Morfe stated it might be possible over a 12 month period to hit a \$40M swing. That is why the minimum surplus is set to be at least \$55M, because there's a reasonably small chance you might see a swing as high as \$40M. Treasurer Flowers stated in addition to the \$55M reserve, at 342 percent we are potentially still subject to a swing. The extra money could be kept to keep the reserve above the 342 percent. Mr. Morfe noted that eventually the ERRP money has to be spent on the fund as per guidance from the Federal government. Mr. Flowers asked if it's better to pull \$40-42M, if we had a worst scenario swing, from the one time fund sources or the 342 percent reserve. Mr. Morfe explained the options and stressed that one time funds cannot be counted on being available again in the future. The EERP is also a short term program. Justice Berger stated there is roughly \$90M of excess funds and \$9.5 needed to close the FY12 health fund budget.

Ms. Lakeman referenced the current FY11 plan rates with the addition of the recently approved CDH Gold Plans:

	Total Monthly Rate	Funded State Share	Employee/ Pensioner Pays
First State Basic Plan			
Employee	\$514.56	\$514.56	\$0.00
Employee & Spouse	\$1,064.66	\$1,064.66	\$0.00
Employee & Child(ren)	\$782.20	\$782.20	\$0.00
Family	\$1,330.86	\$1,330.86	\$0.00
CDH Gold			
Employee	\$532.56	\$514.56	\$18.00
Employee & Spouse	\$1,104.26	\$1,064.66	\$39.60
Employee & Child(ren)	\$813.70	\$782.20	\$31.50
Family	\$1,402.86	\$1,330.86	\$72.00
Aetna HMO			
Employee	\$537.22	\$514.56	\$22.66
Employee & Spouse	\$1,132.64	\$1,064.66	\$67.98
Employee & Child(ren)	\$821.80	\$782.20	\$39.60
Family	\$1,413.30	\$1,330.86	\$82.44
BlueCARE® HMO			
Employee	\$537.66	\$514.56	\$23.10
Employee & Spouse	\$1,136.22	\$1,064.66	\$71.56
Employee & Child(ren)	\$822.62	\$782.20	\$40.42
Family	\$1,417.62	\$1,330.86	\$86.76
Comprehensive PPO Plan			
Employee	\$587.46	\$514.56	\$72.90
Employee & Spouse	\$1,219.04	\$1,064.66	\$154.38
Employee & Child(ren)	\$905.38	\$782.20	\$123.18
Family	\$1,523.98	\$1,330.86	\$193.12

Objectives for the March 28th SEBC meeting were discussed:

- Reaching Agreement on Closing FY12 Balance
 - Increasing Rates
 - Use of one-time revenue sources
 - Combination of both of the above

Ms. Lakeman noted the CDH rates will be less than the HMO plans. The objective on the March 28th meeting is to reach some agreement on closing the \$9.5M FY12 balance or some other option through a variety of increasing rates, using one time revenue sources or a combination. She will bring information about rebates to the next meeting. The \$9M received in the FY10 settlement was an anomaly.

Ms. Visalli expressed she wanted to hear from members before the next meeting if they had questions or concerns.

SEBAC Comments – Pat Griffin

Given the economic fiscal restraints affecting employees and the expected fiscal surplus for state employees' health care expenses, we support no increase to employees related to health care in Fiscal Year 2012. SEBAC supports coverage management changes and the generic co-pay waiver program as well as mental health parity, recognizing the increase associated costs with that but also implementing that parity with the surplus fund. We support continuation of the DelaWELL incentives program as well as increased efforts to build participation in that program next year.

Public Comments

John Edwards, Med Impact - asked that prior to the Prescription Benefit Management vote that the SEBC "do a bit more due diligence." He pointed out litigation against Medco with some being as recent as last week, supposedly being significant in California. Where the savings are coming from was a concern to him, whether it was drug trend or network savings. His company proposed a potential \$29M savings using local existing drug stores.

Dave Leiter, state employee – Ms. Visalli noted that he went to the Town Meeting they had. Today he distributed a handout. It was titled FY2011- 01-02 Cumulative, coming from the state's On-Line Checkbook. It showed money spent on health insurance, health plans, disability, prescription plan and other benefits. It also had numerous other monies the state spent on a huge variety of items, many being million dollar expenditures. Since he did not understand the numbers he was uncertain of what was going on with the money.

He appreciated and thanked them for the new medical benefit package that has been created, as well as all their hard work. A request was made to keep benefits costs down, to give a pay raise to lower pay-grades 1 to 5 and retirees, or give them other options like subsidies, stipends or grants. Mr. Leiter had concern as to why Medco could not have a 30 day trial instead of 90 days. For DelaWELL he wanted to know pay rates of the people participating in the program and what their vocations were. If Medicare Part D comes in at \$10.5M that means there will be \$1M excess if we only need \$9.5.

Following public comment, Ms. Visalli reminded the Committee that motions were needed on the PBM Contract Award Recommendation as well as the Prescription Coverage Management Options reviewed earlier.

Ms. Visalli asked for a motion to approve the written Medco recommendation with two additions. They will be looking at their RFP language going forward and take under consideration the recommendations made by Treasurer Flowers.

Written Motion:

RESOLVED that with respect to the award of a contract pursuant to the Request for Proposal (RFP) for administration of the State of Delaware's Pharmacy Benefit Management program, the Proposal Review Committee recommends to the State Employee Benefits Committee as follows:

Contract award for Pharmacy Benefit Management services to Medco for an initial term of two years with three one year renewal options beginning July 1, 2011. Such award shall be subject to a finalized contract which shall include Performance Guarantees based on the criteria in the RFP.

Commissioner Stewart made the motion to approve the recommendation and additions and Controller General Larson seconded. Upon unanimous voice approval the motion carried.

Ms. Lakeman asked for a motion to approve the generic co-pay waiver campaign. Justice Berger made the motion and Commissioner Stewart seconded. The motion carried with unanimous voice approval.

Ms. Lakeman asked for a motion to approve the coverage management prior authorization for the Tetracyclines. Controller General Larson wanted clarification that the three coverage management options are not also included in the 90 day co-pay waiver. Ms. Lakeman clarified that the generic co-pay waiver is a person's option to change or not. Options two, three and four require doctor documentation as to why the medications are medically required for the member. Commissioner Stewart made the motion and Secretary Cook seconded. Treasurer Flowers opposed with all others voting in favor. The motion carried.

Ms. Lakeman asked for a motion to approve the quantity duration for the antibiotic Xifaxan for traveler's diarrhea or hepatic encephalopathy. Controller General Larson made the motion and Secretary Cook seconded. Treasurer Flowers opposed with all others voting in favor. The motion carried.

Ms. Lakeman asked for a motion to approve the anticonvulsant, Lyrica, for step therapy management. Commissioner Stewart made the motion and Controller General Larson seconded. Treasurer Flowers opposed with all others voting in favor. The motion passed.

Other Business

None.

Ms. Visalli asked for a motion to adjourn. Controller General Larson made the motion and Secretary Cook seconded. Upon unanimous voice approval the public meeting ended at 3:33 p.m.

A reminder was given that the next SEBC meeting will be March 28th at 2:00 p.m. in the same room.

Respectfully submitted,

Mary K. Thuresson
Administrative Specialist
Statewide Benefits Office, OMB